

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF JACKSON PURCHASE)	
ELECTRIC COOPERATIVE CORPORATION FOR AN)	CASE NO.
ORDER AUTHORIZING A NEW STREET LIGHTING)	92-309
TARIFF)	

O R D E R

Jackson Purchase Electric Cooperative Corporation ("Jackson Purchase") has applied for Commission approval of its proposed Schedule CSL. This schedule establishes a rate for street lighting service provided to federal, state and local governmental agencies and private customers.¹ Finding certain provisions of the proposed schedule are unreasonable, the Commission denies Jackson Purchase's application, but will permit Schedule CSL, absent those provisions, to become effective.

Schedule CSL differs significantly from most street lighting tariffs currently filed with the Commission. Those tariffs employ an average embedded cost methodology and consist of a fixed-cost component reflecting utility poles, fixtures, standards and other hardware, and an energy component based on the size of the lamp. Schedule CSL, in contrast, is composed of an energy charge and a facility charge. The energy charge is fixed at \$.03608 per KWH.

¹ To be eligible for service under schedule CSL, the customer must request 10 or more luminaries for dusk to dawn street lighting service of a type not currently provided for under Jackson Purchase's Schedule OL-outdoor lighting.

It is intended to pass-through wholesale power costs. It will be recomputed only when the wholesale demand and energy charges of Jackson Purchase's supplier, Big Rivers Electric Corporation, change.

The facility charge is intended to recover the costs associated with street lighting plant investment. It includes operations and maintenance expense, depreciation and amortization expense, property taxes, insurance and a rate of return. Initially, the monthly facility charge will be 1.33 percent of the utility's total investment in street lighting facilities for each Schedule CSL customer. Jackson Purchase intends to review and adjust the facility charge annually to reflect changes in the cost of service. Jackson Purchase's total investment in street lighting for each Schedule CSL customer will be updated monthly.²

Jackson Purchase contends that, if Schedule CSL is approved, it can offer a wider range of construction and hardware options and thus be more responsive to customers' needs and preferences. It contends that the type of facilities required for street lighting projects vary greatly from project to project because of differences in local, state or federal codes and from customer preferences. Because of these differences, a more flexible pricing structure is required to recover the costs of substantial differences in the investment required to make service available.

² Jackson Purchase will establish a separate utility plant sub-account for each Schedule CSL customer. The facility charge will be computed by applying 1.33 percent to the month-ending balance. A lower facility charge rate will be used if contributions in aid of construction are involved.

While the Commission has previously approved rate schedules similar to Schedule CSL,³ it finds Schedule CSL to be unreasonable in two respects - its treatment of contributions in aid of construction ("CIAC") and its imposition of vandalism costs onto the customer. Because of these provisions, the Commission further finds Jackson Purchase's application should be rejected.

Schedule CSL permits customers to make CIACs. These contributions are considered when the facility charge is calculated. Although the facility charge for CIAC does not include a rate of return, it does include depreciation expense on the contributed plant.⁴

The proposed treatment of CIAC conflicts with long standing Commission policy which prohibits private utilities from recovering depreciation expense on contributed utility plant.⁵ This prohibition is intended to protect the customer. A customer making a CIAC effectively pays twice for the contributed plant if he must pay for depreciation expense associated with that plant. The Commission finds that the monthly facility charge for CIAC should exclude depreciation expense and be reduced to .56 percent.

³ Case No. 92-156, Farmers Rural Electric Cooperative Corporation's Proposed Tariff to Revise its Street Lighting Service, Order dated September 8, 1992.

⁴ For CIAC, Jackson Purchase proposes to assess a monthly facility charge of only .87 percent. This charge still includes a .306 percent charge for depreciation expense on the contributed plant.

⁵ See, e.g., Kentucky-American Water Company, Case No. 10481 (August 22, 1989) at 37.

The Commission also finds the provisions of Schedule CSL related to vandalism to be unreasonable. Schedule CSL provides that the customer must incur all costs for any lamp or photocell damage resulting from vandalism. Although Jackson Purchase concedes ownership of the facilities in question, it contends that customers should bear the cost of replacement because the proposed rate covers only normal maintenance and "[v]andalism is considered beyond normal maintenance."⁶ If the utility retains ownership of the facility, it must bear the risks associated with that ownership. Absent any negligent conduct on the customer's part, it is unfair to place the burden of vandalism on the customer.

The Commission finds that, absent the provisions noted above, Schedule CSL is reasonable. Jackson Purchase should be permitted to file a revised Schedule CSL consistent with the terms of this Order and such schedule should be permitted to become effective without further Commission review.

Finally, while the revised Schedule CSL will create greater flexibility for Jackson Purchase to meet its customers' preferences, the Commission urges the cooperative to emphasize and promote energy efficiency in lighting service and throughout its system. Jackson Purchase should at all times encourage its customers to select and use the most energy efficient equipment.

IT IS THEREFORE ORDERED that:

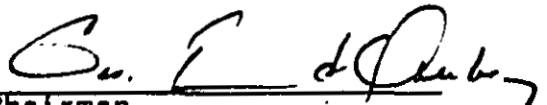
1. Jackson Purchase's Application is denied.

⁶ Jackson Purchase's Response to the Commission's Order of September 4, 1992, Item 7.

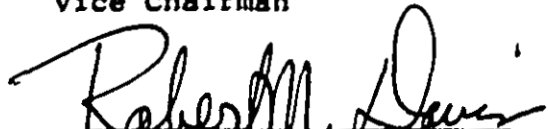
2. Within 30 days of the date of this Order, Jackson Purchase shall file with the Commission a revised Schedule CSL which is consistent with the terms of this Order, request a hearing to present evidence to show why the proposed Schedule CSL should be accepted and approved without modification, or advise the Commission in writing that it no longer intends to pursue this matter.

Done at Frankfort, Kentucky, this 6th day of November, 1992.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director